

Message Text

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TO SECSTATE WASHDC 1158
SECDEF WASHDC
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY ROME
CINCLANT
USCINCEUR
USLOSACLANT
USNMR SHAPE

C O N F I D E N T I A L SECTION 1 OF 3 USNATO 0215

E.O. 11652: GDS
TAGS: MPOL, NATO, UK
SUBJECT: UK DEFENSE CUTS; DPC DISCUSSION JANUARY 14, 1977

REF: (A) 76 USNATO 7020 (DTG 281220Z DEC 76, NOTAL),
(B) 76 USNATO 6868 (DTG 151759Z DEC 76, NOTAL),
(C) 76 STATE 308870 (DTG 220116Z DEC 76, NOTAL)

SUMMARY: JANUARY 14 DPC DISCUSSION OF LATEST ROUND OF UK
DEFENSE SPENDING CUTS FEATURED STRONG STATEMENTS BY
SECRETARY GENERAL, CHAIRMAN F THE MILITARY COMMITTEE AND
US AND FRG AMBASSADORS. ALL DEPLORED THE REDUCTIONS AS
RUNNING COUNTER TO MINISTERIAL RECOGNITION AT LAST DPC MINISTERIAL
MEETING, OF THE WIDENING GAP BETWEEN NATO AND WARSAW PACT.
UK CHARGE REPEATED UK DEFENSE SECRETARY'S
ASSURANCE OF FULL CONSULTATIONS ON THE SECOND YEAR IN
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QUESTION, AND SAID THAT DETAILS OF PLANNED CUTS FOR FISCAL
YEAR BEGINNING IN APRIL, 1977 WILL BE AVAILABLE IN
FEBRUARY FOR FULL ALLIED DISCUSSION. DPC WILL RETURN TO
THIS SUBJECT WHEN DETAILS OF BRISITH CUTS ARE RELEASED
BY THE YK. END SUMMARY.

1. IN JANUARY 14 DPC DISCUSSION OF REDUCTIONS IN UK
DEFENSE EXPENDITURES, SYG LUNS OPENED BY NOTING THAT IN
HIS REPLY OF DECEMBER 23 (REF A) TO DEFENSE SECRETARY

MULLEY'S LETTER OF DECEMBER 15 (REF B), HE HAD EXPRESSED HIS CONCERN WITH A FURTHER ROUND OF UK REDUCTIONS IN DEFENSE SPENDING. LUNS SAID THE LATEST SET OF REDUCTIONS WOULD RESULT IN DECLINES IN REAL TERMS OF DEFENSE SPENDING FOR BOTH FISCAL YEARS IN QUESTION, AND THAT IT CAME ON TOP OF AN ALREADY MASSIVE SERIES OF REDUCTIONS, THE FULL IMPACT OF WHICH HAD YET TO BE ASSESSED BY THE NATO MILITARY AUTHORITIES. HE NOTED THAT TIMING OF THE ANNOUNCEMENT OF THESE REDUCTIONS WAS PARTICULARLY BAD, FOLLOWING AS IT DID IMMEDIATELY UPON THE DECEMBER MINISTERIAL MEETING, AT WHICH ALL MINISTERS HAD ACKNOWLEDGED THE GRAVE DANGERS RESULTING FROM CURRENT TRENDS IN THE MILITARY BALANCE BETWEEN NATO AND THE WARSAW PACT. NONETHELESS, LUNS NOTED, SUBSTANCE WAS MORE IMPORTANT THAN TIMING. HE HOPED THAT THE ALLIANCE WOULD RECEIVE, AS SOON AS POSSIBLE, INFORMATION ON THE WAYS IN WHICH THE UK WILL ACHIEVE ITS SAVINGS, SO THAT IT COULD MAKE AN ASSESSMENT WITH A VIEW TOWARD REMEDIAL ACTION, IF REQUIRED. LUNS NOTED THAT THE WHOLE SUM OF 13 OR 14 REDUCTIONS IN UK DEFENSE SPENDING ANNOUNCED OVER THE PAST THREE YEARS HAD AMOUNTED TO SOME 8 BILLION POUNDS, AND THAT, DESPITE THE FACT THAT THEIR MILITARY AUTHORITIES HAD ALREADY SAID THAT BEDROCK HAD BEEN REACHED, A NEW SERIES OF ECONOMIES HAD BEEN SOUGHT. HE CALLED ON UK CHARGE FOR COMMENT.

2. HOLMER (UK) NOTED THAT THE BRITISH GOVERNMENT HAD DECIDED TO CUT PUBLIC EXPENDITURE FOR FISCAL YEARS 1977/78 AND 1978/79, AND HAD ALSO DECIDED "WITH THE GREATEST
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RELUCTANCE" THAT REDUCTIONS IN THE DEFENSE BUDGET SHOULD BE INCLUDED. HE SAID THAT REDUCTIONS IN THE DEFENSE BUDGET SHOULD BE INCLUDED. HE SAID THAT THE DETAILED SAVINGS FOR 1977/78 WOULD BE WORKED OUT " AND DISCUSSED WITH NATO," BUT THAT FOR 1978/79 A WIDE-RANGING STUDY WOULD BEGIN, AND THAT THE UK WOULD CONSULT NATO AUTHORITIES AT AN EARLY AND FORMATIVE STAGE IN THE STUDY. HOLMER BRIEFLY REVIEWED NEW PLANNED BRITISH DEFENSE EXPENDITURE TOTALS FOR THE CURRENT FISCAL YEAR AND THE TWO FOLLOWING YEARS, NOTING THAT THESE FIGURES WOULD BE INCREASED TO ALLOW FOR INFLATION. HE SAID THAT FULL DETAILS OF WHERE THE CUTS WOULD FALL WERE STILL BEING WORKED OUT FOR 1977/78, BUT THAT HE EXPECTED IN BROAD TERMS THAT BETWEEN 60 AND 70 MILLION POUNDS WOULD COME FROM THE WORKS PROGRAM, ABOUT 80 MILLION POUNDS FROM WITHIN THE EQUIPMENT AREA (BY DEFERRING PLANNED EXPENDITURE ON A RANGE OF ITEMS FOR ALL THREE SERVICES), AND THE REMAINDER FROM A COMBINATION OF ADMINISTRATIVE AND SUPPORT ECONOMIES. AS SOON AS FY 77/78 DETAILS WERE AVAILABLE, PROBABLY AT THE TIME WHEN THE DEFENSE WHITE PAPER IS PUBLISHED IN THE SECOND HALF OF FEBRUARY, THE UK WOULD BE READY TO "DISCUSS" THEM WITH NATO. FOR FISCAL YEAR 78/79, HOLMER REPEATED MULLEY'S ASSURANCE OF FULL CONSULTATIONS AND MULLEY'S EXPRESSED AIM

TO MAKE SAVINGS IN A WAY WHICH WOULD KEEP TO THE "ABSOLUTE MINIMUM" THE EFFECT ON UK FRONT-LINE CONTRIBUTIONS TO THE ALLIANCE.

3. ADMIRAL HILL-NORTON (CHAIRMAN, MILITARY COMMITTEE) CONTRASTED THE BRITISH REDUCTIONS WITH THE SPIRIT OF THE DPC MINISTERIAL MEETING, AND WITH THE DECISIONS MADE THEN BY MINISTERS. HE ASSERTED THAT THE SUM OF ALL BRITISH REDUCTIONS IN THE TWO FISCAL YEARS IN QUESTION TOTALLED TO SOME 700 TO 900 MILLION POUNDS, OR ABOUT 15 PER CENT OF ONE

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YEAR'S BUDGET. UNTIL THE UK ANNOUNCED WHICH AREAS IT PLANNED TO CUT IN FY-77/78, THE MILITARY COMMITTEE COULD OFFER NO ASSESSMENT OF THE REDUCTIONS' EFFECT, BUT REDUCTIONS EVEN IN SUCH AREAS AS AMMUNITION, FUEL AND TRAINING WOULD HAVE IMMEDIATE IMPACT ON READINESS. NOTING THAT THE MILITARY AUTHORITIES HAD NOT YET LEARNED EVEN WHERE THE JULY 1976 CUT OF 100 MILLION POUNDS WAS COMING FROM, HE WELCOMED THE ASSURANCE BY THE UK OF CONSULTATIONS AT AN EARLY AND FORMATIVE STAGE, BUT NOTED THAT TIME WAS SHORT. FINALLY, HILL-NORTON REMINDED THE DPC THAT THE NATO MILITARY AUTHORITIES, IN THEIR LAST REPORT ON THE SUBJECT (MCM-62-76), HAD SAID THAT ANY FURTHER CUTS COULD NOT HELP BUT ADVERSELY AFFECT COMBAT CAPABILITIES AND HAVE SERIOUS EFFECT ON ALLIANCE POSTURE AND SOLIDARITY.

4. LUNS AGREED WITH ADMIRAL HILL-NORTON THAT THERE HAD AS
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YET BEEN NO CONSULTATIONS ON THE JULY 1976 CUTS, AND THAT MILITARY ASSESSMENTS ON THE FEBRUARY 1976 CUTS MIGHT INDEED BE INFLUENCED BY THE FURTHER SAVINGS THE UK HAD SOUGHT IN JULY AND DECEMBER, 1976. THUS, LUNS SAID, THE PRESENT MEETING COULD NOT GET INTO A REAL DISCUSSION OF IMPACT ON NATO. NONETHELESS, RECALLING SECRETARY RUMSFELD'S REMARKS AT THE DPC MINISTERIAL MEETING, LUNS SAID ANY REDUCTIONS IN DEFENSE EXPENDITURE WERE WORRYING.

5. AMBASSADOR, DRAWING ON REF C, NOTED THAT HIS AUTHORITIES HAD LEARNED WITH REGRET IN DECEMBER THAT DEFENSE WOULD BE CUT AGAIN BY THE UK, AND THAT THE US WAS SERIOUSLY CONCERNED ABOUT THESE CUTS. HE NOTED PARTICULARLY THE HEAVY SHARE FOR DEFENSE IN THE OVERALL PUBLIC EXPENDITURE CUT PLANNED FOR FY 78/79. HE SUPPORTED THE NEED FOR EARLY EXAMINATION BY THE ALLIANCE OF MEASURES WHICH THE UK WAS CONSIDERING, AND STATED THAT THE MILITARY AUTHORITIES SHOULD BE TASKED TO ASSESS NOT ONLY THE CUMULATIVE IMPACT OF SEVERAL SETS OF REDUCTIONS ON THE TWO FISCAL YEARS IN QUESTION, BUT ALSO THE EXTENT TO WHICH THE REDUCTIONS WOULD IMPACT ON UK PROGRAMS BEYOND 1980. HE URGED FULLEST CONSIDERATION BY THE UK OF RATIONALIZATION MEASURES TO MITIGATE THE EFFECT OF THE REDUCTIONS, AND TRUSTED ALSO THAT THE FULL DEFENSE CONTRIBUTION OF THE UK WOULD BE RESTORED AS THE ECONOMIC SITUATION IMPROVED. ON A PERSONAL BASIS, THE AMBASSADOR ADDED THAT, IN HIS OPINION, THE NEW ADMINISTRATION AND THE NEW CONGRESS WOULD BE LIKELY TO TAKE SERIOUSLY INTO ACCOUNT EUROPEAN ALLIES' CONTRIBUTIONS IN TAKING THE FUNDAMENTAL LOOK THAT THEY WERE SURE TO TAKE AT THE LEVEL AND CONTENT OF THE US CONTRIBUTION TO THE DEFENSE OF EUROPE. HE NOTED THAT THEIR JUDGMENTS WERE BOUND TO BE INFLUENCED BY REDUCTIONS SUCH AS THE DPC WAS CONSIDERING, AND POINTED TO THE ADVERSE PSYCHOLOGICAL IMPACT THAT REDUCTIONS OF THIS TYPE MIGHT HAVE ON OTHER ALLIES. FINALLY, HE EXPRESSED THE HOPE THAT THE LATEST SERIES OF CUTS WOULD BE THE LAST THE ALLIANCE WOULD SEE, AND THAT BRITAIN WOULD PLACE ITS DEFENSE CONTRIBUTION TO NATO SQUARELY ON A
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REMEDIAL TRACK BACK TOWARD DEFENSE REVIEW LEVELS, ON WHICH ALL ALLIES HAD CONSULTED AND AGREED.

6. PAULS (FRG) SAID THAT HIS GOVERNMENT WAS "NOT WITHOUT UNDERSTANDING" OF THE HEAVY ECONOMIC PROBLEMS OF THE UK, AND UNDERSTOOD THAT REDUCTIONS IN PUBLIC EXPENDITURE WERE SUBJECT TO CERTAIN CONSTRAINTS. HOWEVER, HIS GOVERNMENT WAS CONCERNED WITH THE SCOPE AND FREQUENCY OF CUTS IN UK DEFENSE EXPENDITURE. BONN FELT, PAULS SAID, THAT ALLIED

DETERMINATION TO MAINTAIN THE COMMON DEFENSE, AS EXPRESSED IN THE DPC MINISTERIAL MEETING, HAD "SUFFERED HEAVY DAMAGE," AND THAT THERE WERE POSSIBILITIES OF ADDITIONAL COMPLICATIONS FOR THE FUTURE OF MBFR. PAULS SAID HIS AUTHORITIES HOPED THAT THE MEASURES THE UK HAD ANNOUNCED FOR IMPROVEMENT OF ITS ECONOMY WOULD BE SUCCESSFUL, AND THAT ITS DEFENSE BUDGET WOULD BE BROUGHT BACK TO THE LEVEL URGENTLY REQUIRED FOR THE SECURITY OF THE ALLIANCE AS A WHOLE. HE LOOKED FORWARD TO OBTAINING DETAILS OF THE SOURCE OF THE SAVINGS, AND EXPRESSED THE HOPE FOR MEANINGFUL CONSULTATIONS.

7. SYG LUNS ECHOED THE WORRIES HE HAD HEARD EXPRESSED ABOUT THE PRECEDENT-SETTING EFFECT OF REDUCTIONS BY ONE ALLY ON OTHERS. HE NOTED THAT THE DANISH GOVERNMENT WAS WAGING A STIFF FIGHT IN PARLIAMENT FOR INCREASED DEFENSE SPENDING, AND THAT THE DANISH OPPOSITION WAS LIKELY TO POINT TO THE UK. THE ITALIANS, LUNS ADDED, WERE TRYING TO PUSH THROUGH TWO LAWS FOR THE ARMY AND AIR FORCE; THE NETHERLANDS HAD RECENTLY ANNOUNCED AN INCREASE IN ITS SHIP-BUILDING PROGRAM WHICH MIGHT, BY DINT OF UK REDUCTIONS, BE ENDANGERED. SVART (DENMARK) AGREED. HE NOTED DEFENSE SECRETARY MULLEY'S ASSURANCE TO MINIMIZE THE IMPACT ON FRONT-

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LINE FORCES, BUT EXPRESSED THE HOPE THAT THE CUTS ALSO WOULD NOT IMPINGE ON THE REINFORCEMENT CAPABILITIES OF THE UK. CATALANO (ITALY) ALS AGREED, NOTING THAT THE PROMOTIONAL LAW FOR THE ITALIAN AIR FORCE, WHICH HAD JUST BEEN PASSED BY THE HOUSE OF DEPUTIES, WOULD SOON BE UP FOR CONSIDERATION

BEFORE THE ITALIAN SENATE. HARTOGH (NETHERLANDS) ASKED WHETHER THE BRITISH WOULD BE ABLE TO CONSULT ON THEIR PROPOSED CHANGES AS SOON AS THE WHITE PAPER WAS PUBLISHED. HOLMER SAID THAT THE UK DISTINGUISHED ON PRACTICAL GROUNDS BETWEEN CONSULTATIONS FOR FY-77/78 AND FY-78/79. HE SAID THAT THE UK WANTED TO "DISCUSS FULLY" THE FIRST YEAR IN QUESTION, AND ENGAGE IN THE FULLEST POSSIBLE "CONSULTATIONS" ON THE SECOND YEAR IN QUESTION.

8. LUNS CLOSED DISCUSSION BY NOTING THAT THE ALLIANCE COULD NOT GO MUCH FURTHER UNTIL IT DETERMINED THE DETAILS
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OF THE UK CUTS. HOWEVER, LUNS ADDED, THE UK HAD THE GIST OF THE DPC'S REACTION. HE NOTED THAT THE ALLIANCE WOULD MAKE ITS ASSESSMENTS BASED ON DETAILS TO BE PROVIDED BY THE UK, AND THAT THE DPC WOULD RETURN TO THE ISSUE AT THAT TIME. STRAUSSZ-HUPE

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